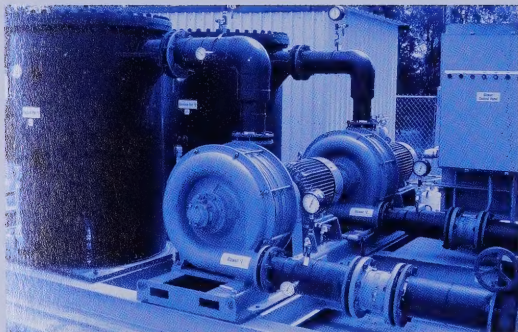
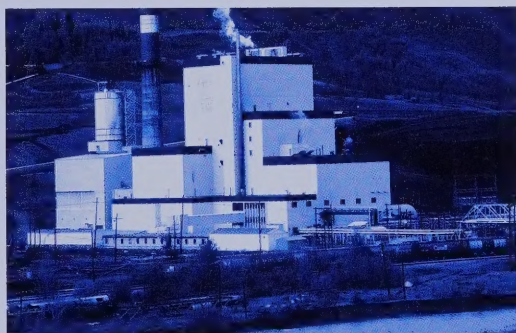


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2003 ANNUAL REPORT



CREATIVE ENERGY SOLUTIONS



MAXIM
Power Corp

corporate profile

Maxim Power Corp. ("**MAXIM**") is an Independent Power Producer ("IPP").

MAXIM's mission is to enhance shareholder and customer value by acquiring or developing, owning and operating, innovative and environmentally responsible electric and thermal energy projects.

Through its strategic alliance with Finning International Inc. ("Finning") and its joint venture with Caterpillar Power Ventures Inc. ("Caterpillar"), MAXIM has access to competitive distributed power technologies.

MAXIM is focused on four key markets: North America, South East Asia, Europe and Latin America, wherein MAXIM can lever the extensive Finning and Caterpillar product and service network.

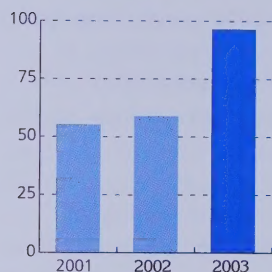
MAXIM places great importance on adding value through innovation. Focused on carbon-based fuels, MAXIM integrates conventional, cogeneration and waste to energy technologies to bring creative energy solutions to its customers. Operating in an environment of high integrity, MAXIM focuses on a mutual gains approach to satisfy customers and shareholders.

The Corporation trades on the TSX Venture Exchange under the symbol "MXG".

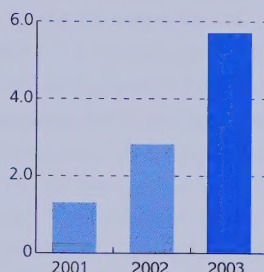
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financial and operating highlights

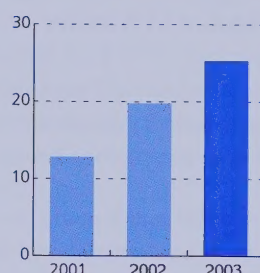
Net Generating Capacity***
(MW)



Funds from Operations
(\$ millions)



Total Revenue
(\$ millions)



Year ended December 31, 2003
(in thousands of dollars except per share amounts)

	2003	2002	2001
Financial Performance			
Revenue	\$ 25,254	\$ 19,757	\$ 12,810
EBITDA**	\$ 8,679	\$ 1,498	\$ 1,059
Per Share*	\$ 0.06	\$ 0.01	\$ 0.02
Operating Income (loss) before impairment	\$ 2,665	\$ 761	\$ (326)
Net income (loss)	\$ 872	\$ (5,115)	\$ (4,339)
Per share*	\$ 0.01	\$ (0.04)	\$ (0.07)
Funds from operations	\$ 5,692	\$ 2,710	\$ 1,293
Per share*	\$ 0.04	\$ 0.02	\$ 0.02
Weighted average number of shares (thousands) - basic	136,130	115,379	61,760
Total shares outstanding (thousands) - basic	136,221	136,120	72,658
Financial Position			
Total assets	\$ 78,007	\$ 69,044	\$ 64,697
Property, plant & equipment	\$ 56,284	\$ 46,795	\$ 47,530
Due to joint venture partner	\$ 2,692	\$ 4,567	\$ 7,466
Total debt	\$ 24,752	\$ 18,795	\$ 24,098
Shareholders' equity	\$ 42,500	\$ 41,764	\$ 28,600
Operational Data			
Installed capacity (MW)***	96.0	58.7	55.1
Electricity sales (\$ thousands)	\$ 25,254	\$ 19,757	\$ 12,810
Electricity deliveries (MWh)	194,007	185,431	115,075
Average selling price (\$/MWh)	\$ 128	\$ 107	\$ 111
Average Alberta power price (\$/MWh)	\$ 63	\$ 44	\$ 71

* Basic and diluted

** Earnings before interest, accrued dividends on preferred shares, taxes, depreciation and amortization. EBITDA is not a measure under Canadian Generally Accepted Accounting Principles.

*** Including HR Milner acquisition, effective January 1, 2004

message to shareholders

MAXIM achieved significant growth in revenues and cash flows in 2003 despite yet another challenging year for the power industry. Revenues for 2003 increased to \$25.3 Million, an increase of \$5.5 Million or 28 percent, as compared to \$19.8 Million in 2002. Cash flows from operations were \$5.7 Million in 2003 as compared to \$2.7 Million in 2002, representing an increase of 111 percent. MAXIM has added 37 megawatts ("MW") over the last year, representing a 64 percent increase in our net installed generating capacity. MAXIM now owns and operates twenty power plants in six countries.

MAXIM and Finning are parties to a Strategic Alliance Agreement, whereby Finning and MAXIM cooperate on distributed power project opportunities globally. As a consequence of this alliance, MAXIM has access to the global reach of Finning and the Caterpillar family of products and services in distributed power. These relationships provide an extraordinary set of growth opportunities for MAXIM.

During 2003, MAXIM advanced its strategic relationship with Finning through:

- the construction of the 5.6 MW Vancouver Landfill Project which is contracted under a twenty-year Power Purchase Agreement ("PPA") with British Columbia Hydro & Power Authority ("BC Hydro"). MAXIM was also awarded another twenty-year contract from BC Hydro for a fourth generator at this facility which is targeted for expansion in 2004.
- the construction of the 1.6 MW Hartland Landfill Project which commenced commercial operation in February, 2004 and is contracted under a twenty-year PPA with BC Hydro.
- Finning Power Systems designed and built both powerhouses and Finning has provided construction financing for both projects.

Our most notable achievement in 2003 was securing the opportunity to acquire the H.R. Milner Generating Station ("Milner") on behalf of the Milner Power Limited Partnership ("MPLP"). Milner is a 144 MW coal-fired power plant located near the town of Grande Cache, Alberta. MAXIM's twenty percent interest in MPLP represents a net addition of 29 MW, bringing its net installed electric generating capacity to just under 100 MW. MAXIM is providing all management, commercial, administrative and operations services to MPLP under an Operating Services Agreement. Milner is a low cost, high impact acquisition. MAXIM's total investment in Milner is \$2.0 Million, representing an average cost per MW of under \$70,000. This compares with typical new build costs for coal plants in the order of \$1.5 to \$2.0 Million per MW. We expect that Milner will account for a significant part of our financial results in 2004.

The power business requires significant sums of capital and MAXIM's ability to continue to access capital for growth is also a noteworthy achievement. During 2003, MAXIM completed financings totaling \$26.1 Million.

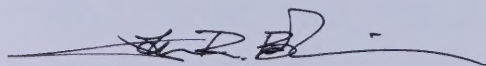
The 2003 impairment provision of \$2.5 Million resulted from a significant decline in the oil and gas reserves tied into the Evi battery and therefore uncertainty in the supply of flare gas to the Evi facility. We will continue to examine all practical alternatives to enhance the value of the Evi assets including the relocation of the gas turbine to new project sites.

Worldwide, the power industry is continuing to move towards liberalization and deregulation. Deregulation in the power industry has eliminated the traditional barriers to entry and is allowing IPP's, such as MAXIM, to quickly and profitably invest in power generation capacity. In spite of weaker market fundamentals during the last few years, worldwide energy consumption and the demand for new capacity is still projected to grow by up to 60 percent over the next two decades.

With our current operations in North America, South East Asia and Europe and a strong balance sheet, MAXIM remains well positioned to be a strong global competitor in the power sector. We are pursuing numerous acquisitions and new build opportunities to grow our business substantially in 2004.

On behalf of MAXIM, I would like to thank our shareholders for their support and the Board of Directors and staff for addressing the challenges and seizing the opportunities in 2003. Shareholders can be assured that our committed team will continue to demonstrate the integrity and persistence that remain the cornerstones of building the business of MAXIM.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. R. Bobenic', with a long horizontal line extending to the right.

John R. Bobenic
President and Chief Executive Officer

summary of operations

Operating Plant Capacity and Performance

Market	Plant Description MW	Gross Capacity MW	Net Capacity MW	Sales			
				2003		2002	
				MWh	(\$000's)	MWh	(\$000's)
North America							
Canada	HR Milner	144.0	28.8	–	–	–	–
	Taber ⁽¹⁾	8.0	8.0	12,667	2,164	16,924	1,836
	Burdett ⁽¹⁾	7.0	7.0	12,430	2,053	15,330	1,635
	Coaldale ⁽¹⁾	6.0	6.0	10,380	1,696	13,377	1,426
	Fort MacLeod ⁽¹⁾	4.0	4.0	7,386	884	8,451	697
	Gold Creek ⁽²⁾	6.5	6.5	30,428	2,305	29,158	1,682
	Evi ⁽²⁾	3.2	3.2	9,078	720	13,365	611
	Gift Lake ⁽²⁾	0.8	0.8	3,223	538	2,286	96
	Vancouver Landfill	5.5	4.4	9,594	495	–	–
	Hartland	1.6	1.6	–	–	–	–
Total North America		186.6	70.3	95,186	10,855	98,891	7,983
SE Asia							
Cambodia	C-1	24.0	12.2	59,558	11,213	40,197	7,916
	K. Chhang	0.8	0.4	1,290	316	1,227	311
	Pursat	1.0	0.5	1,393	341	1,316	337
	Battambang	–	–	–	–	5,701	1,498
Total SE Asia		25.8	13.1	62,241	11,870	48,441	10,062
Europe							
Austria	Amman	0.3	0.3	1,760	125	2,058	156
	Reiderberg	0.3	0.3	701	126	874	128
Slovenia	Ravne	8.2	8.2	32,180	1,630	35,167	1,428
Germany	ORS ⁽³⁾	1.4	0.6	–	141	–	–
	Ruegen	1.0	1.0	570	42	–	–
France	Pouchon	2.7	1.2	–	–	–	–
	Mirail	2.7	1.0	1,369	465	–	–
Total Europe		16.6	12.6	36,580	2,529	38,099	1,712
TOTAL		229.0	96.0	194,007	25,254	185,431	19,757

⁽¹⁾ Alberta Power Program (APP)

⁽²⁾ Alberta Fuel Abatement Program (AFAP)

⁽³⁾ Recorded as an equity investment

north america

Canada

H.R. Milner

H.R. Milner ("Milner") is a 144 MW coal-fired power station located near the town of Grande Cache, Alberta which has been in continuous operation since 1972. The power produced by the unit is sold both on the spot market through the Alberta Power Pool and through bilateral marketing arrangements as appropriate.

Situated in the Smoky River valley, approximately 20 kilometers north of Grande Cache and about 445 kilometers west of Edmonton, Milner is important to the local economy of the region providing employment to approximately 65 employees.



Milner was acquired by the Milner Power Limited Partnership ("MPLP"). MAXIM's twenty percent interest in MPLP represents a net addition of 29 MW, bringing its net installed electric generating capacity to just under 100 MW. MAXIM is providing all management, commercial, administrative and operations services to MPLP under an Operating Services Agreement pursuant to which MAXIM receives an annual fee of \$850,000. Milner is a low cost, high impact acquisition. MAXIM's total investment in Milner is \$2.0 Million, representing an average cost per MW of under \$70,000.

Alberta Power Project ("APP")

The 25 MW APP consists of four separate facilities in southern Alberta as follows:

Each site is made up of four to eight individual generator sets ("gensets") and each genset is capable of 1000 kW of output to a 25 kV distribution grid. The gensets are internal combustion engines complete with generators, controls and synchronizing equipment. Each genset has its own transformer and can operate independently of the other units. The fuel used is natural

	Capacity MW
Taber	8.0
Burdett	7.0
Coaldale	6.0
Fort MacLeod	4.0
	25.0

gas from the ATCO Pipeline system. These are primarily peaking facilities in the energy market. Power is sold to the Power Pool of Alberta in the spot market.

The Western System Coordinating Council, of which Alberta is a part, is required to maintain a certain level of operating reserves (a percentage of demand) to ensure the reliability of the Alberta Integrated Electrical System. The market for these reserves is known as Ancillary Services ("AS"). MAXIM utilizes the APP in the ancillary services market.

Alberta Fuel Abatement Program ("AFAP")

The AFAP consists of facilities at Gold Creek, Evi and Gift Lake. These assets utilize waste fuels or energy, such as flare gas or exhaust heat as fuel for the generation process.

Gold Creek

The Gold Creek generation facility is located in the Grande Prairie area and utilizes waste heat from a TransCanada Pipelines main line compressor to generate power. The waste heat is used in a 6.5 MW Ormat energy converter generator system and produces power to a 25 kV distribution system. The Ormat energy converter is an air-cooled heat recovery turbine power system based on an Organic Rankine Cycle. Power is sold to the Power Pool of Alberta in the spot market.

Gold Creek had a major outage that damaged the heat exchanger tube in the first quarter of 2002. Replacement of the entire tube bundle occurred over an eighteen-day period in June, 2003. For the balance of the year, the facility ran at greater than 98 percent availability and improved overall outputs.

Evi

The Evi facility is a 3.2 MW distributed power generation project adjacent to an oil battery site in northern Alberta. Associated gas from the battery is used as fuel instead of being flared thereby reducing the environmental impact of the battery site. The facility is made up of gas conditioning and compression facilities and one turbine generator container interconnected to a 25 kV distribution system. Power is sold to the Power Pool of Alberta in the spot market.

The Evi facility experienced reduced output this year as associated gas production declined at the battery. The 2003 impairment provision of \$2.5 Million resulted from a significant decline in the oil and gas reserves tied into the Evi battery and therefore uncertainty in the supply of flare gas to the Evi facility. MAXIM is continuing to examine all practical alternatives to enhance the value of the Evi assets including the relocation of the gas turbine to new project sites.

Gift Lake

The 0.8 MW Gift Lake facility is a distributed power generation project adjacent to an oil battery site in northern Alberta. Associated gas from the battery is used as fuel instead of being flared, thereby reducing the environmental impact of the battery site. The facility is made up of gas conditioning and compression facilities and one turbine generator interconnected to a 25 kV distribution system. Power is sold to the Power Pool of Alberta in the spot market.

Vancouver Landfill

This 5.6 MW landfill gas cogeneration project in Delta, B.C was interconnected to the BC Hydro grid on September 21, 2003. All electricity from the plant is sold to BC Hydro under a twenty-year green energy contract. Thermal energy, in the form of hot water, is sold to CanAgro Produce Ltd. ("CanAgro") greenhouses.



The cogeneration facility is located on the CanAgro greenhouse lands in Delta, BC. Finning Power Systems designed and built the powerhouse and Finning has provided construction financing for the project. The landfill gas is delivered to the plant via a 2.9 kilometre pipeline from the existing flare station at the City of Vancouver's landfill. Previously, methane gas recovered at the Vancouver Landfill ("VLF") was burned in a flare to control odour and to minimize greenhouse gas emissions. Rather than flaring the methane, the cogeneration facility utilizes the gas pursuant to a twenty-year landfill gas utilization agreement with the City of Vancouver. A fourth cogeneration unit is planned for installation in 2004, conditional on adequate landfill gas supplies being available over the long-term. This expansion project would add 1.8 MW to the cogeneration facility resulting in a total nameplate electrical capacity of 7.4 MW.

In November, 2003, the Corporation informed the local regulatory authority, Greater Vancouver Regional District ("GVRD"), that it was operating in excess of the exhaust flow emissions limits allowed under its existing air quality permit. The VLF project continues to operate above the exhaust gas flow rates allowed under its existing permit with the permission of the GVRD, subject to ultimate approval of an amended permit. The Corporation believes that the amended air quality permit application filed on February 5, 2004 will be approved and the VLF project will be in compliance with the regulated emissions standards.

This project is a world-class sustainable waste to energy system in British Columbia using state-of-the-art efficient cogeneration technology. This project will initially reduce greenhouse gas emissions by an estimated 30,000 tonnes per year which is equivalent to eliminating 6,000 cars permanently from Lower Mainland streets. The expansion will further reduce greenhouse gas emissions by an estimated 10,000 tonnes per year.

Hartland

This is a 1.6 MW landfill gas simple cycle generation project in the Capital Regional District ("CRD") near Victoria, BC. This project was commissioned to the BC Hydro grid in February, 2004 with all of the electricity from the plant delivered to BC Hydro under a twenty-year green energy contract. MAXIM completed all major contracts in 2003 and arranged financing through a twenty-year leaseback arrangement with the CRD.

The facility is located at the CRD's Hartland landfill adjacent to the existing flare station. Previously, methane gas was flared by the CRD to control odor and to minimize greenhouse gas emissions. Rather than flaring the methane, the generation facility utilizes the gas pursuant to a twenty-year landfill gas utilization agreement with the CRD.

Finning Power Systems designed and built the powerhouse to convert the landfill's methane gas into electricity and Finning provided construction financing for the project. The facility uses the new Caterpillar 3520 low btu gas engine and Finning is contracted by MAXIM to operate and maintain the plant under a long-term agreement.

south east asia

Cambodia

Through Jupiter Power Holdings ("JPH"), a joint venture with Caterpillar Power Ventures International, Ltd., in which MAXIM owns 51 percent, MAXIM is involved in the ownership and operation of electric power generation plants and the corresponding sale of power in the Kingdom of Cambodia.

JPH has completed another strong year in terms of operations and financial performance. JPH completed the construction of a 6 MW plant expansion at its C-1 facility in 2002. Revenue from Cambodian operations of \$11.9 Million in 2003 represents an increase of 18 percent over 2002, primarily as a result of the C-1 expansion.

The C-1 facility has quickly become the base plant for electrical supply to the city of Phnom Penh. Through JPH, MAXIM and Caterpillar Power Ventures International, Ltd. have succeeded in providing Cambodians with quality power at a price lower than historical norms due to the increased efficiency of Caterpillar equipment.



During 2003, JPH negotiated an extension to the original 15 MW power purchase agreement ("PPA") at the C-1 power station with its customer, Electricite de Cambodge ("EdC"), the Cambodian state owned utility. The original 15 MW and the new 6 MW are now fully contracted until December, 2005. Also in 2003, engines from JPH's Battambang power station were relocated to JPH's C-1 power station in the capital city of Phnom Penh which is experiencing higher than forecast load factors and where power in Cambodia is critically needed.

europe

MAXIM's European projects are tied to long-term power sales agreements with local customers, ranging in length from seven to twelve years. Europe has the most progressive policy framework respecting green/renewable energy and cogeneration. There has also been a greater awareness in Europe of the environmental factors influencing power generation choices. This awareness has resulted in the creation of significant drivers for clean-burning, gas-fired, distributed generation projects. When waste products such as landfill gas which would otherwise be vented (or flared) to the atmosphere are used, the environmental benefits are significant. Combined heat and power ("CHP") or cogeneration projects have also received strong support in Europe, as a result of their better overall efficiencies and reduced environmental impacts.

Austria

Ammann

The Ammann generation plant is a 0.3 MW facility utilizing landfill biogas generated from a municipal landfill in Upper Austria. Commercial operations commenced on December 23, 1999 and the plant consists of one gas genset. Under a 10-year contract, MAXIM supplies the generation plant and charges a demand and energy fee. The customer supplies the required landfill biogas to the plant and is responsible for payment of the demand charge irrespective of the quantity of landfill biogas delivered.

Riederberg

The 0.3 MW Riederberg generation plant utilizes landfill biogas generated from the municipal landfill near Riederberg, Austria. Since 1997, one gas genset has been in operation at the site. The electrical energy produced is used by the customer for electricity requirements in its reverse osmosis effluent treatment plant at the landfill. Under a ten-year contract, MAXIM charges a demand and energy fee. The customer supplies the required landfill biogas to the plant and is responsible for payment of the demand fee irrespective of the quantity of landfill biogas delivered.

Ravne

The 8.2 MW (electrical) Ravne cogeneration plant commenced operations on October 24, 1999 and is equipped with three gas gensets. The electricity and thermal energy is sold to a state owned special alloy steel mill. Heat is recovered and used within the steel works plant for hot water and surplus hot water is sold to the local district heating company for the community heating system. The customer is responsible for the supply of natural gas to the plant at its own expense. Under a 10-year contract, MAXIM charges a demand and energy conversion fee.

Germany

ORS

The ORS facility is located in the community district of Stade and is currently the largest combined biomass anaerobic digestion, composting and power generation project in Germany.

The plant processes community organic waste in a state-of-the-art anaerobic digester which produces 1.4 MW of green power from the methane generated and composts the residual material for organic fertilizer.

The biomass supply is provided under a twelve-year contract and all power generated is sold under a twenty-year fixed price contract to the local utility according to the German Green Energy Law.

MAXIM increased its ownership position in ORS from 25 percent to 40.75 percent in 2002. The plant suffered major damage due to a fire on July 24, 2003. The waste reception hall and the composting hall were



fully destroyed and damage has been assessed at EUR 2.5 Million. The property damage, as well as business interruption, is fully insured and the plant is expected to be operational by mid-year 2004.

Ruegen

The 1.0 MW Ruegen plant uses biogas generation from an anaerobic digester plant which operates on cow manure. Under a five-year contract, MAXIM has provided a 1.0 MW facility to convert biogas to electric and thermal energy. All power generated is sold under the German Green Power Energy legislation and all waste heat is recovered and used for the heating of the digesters. Heat is also delivered to the local district heating networks.

France

In France, MAXIM, through a joint venture, has completed two cogeneration plants.

Pouchon

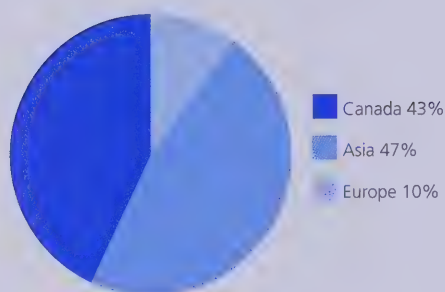
The Pouchon cogeneration plant is a 2.7 MW facility in which MAXIM has a net 45.6 percent interest. The plant sells electricity to Electricite de France ("EdF") under a twelve-year power sales agreement. The plant also produces 2.7 MW of thermal energy which is sold, in the form of hot water, to a hibiscus greenhouse under a twelve-year thermal sales agreement. The plant was completed in November, 2003. Due to interconnection negotiations, the plant was unable to run during the 2003 cogen season. Interconnection issues are being addressed through an arbitration process and Management is confident that the plant will commence operating on November 1, 2004, the start of the next cogen season.

Mirail

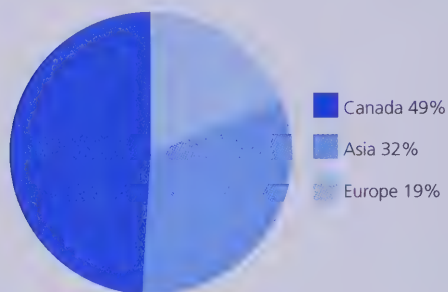
The Mirail cogeneration plant is a 2.7 MW facility in which MAXIM has a net 37.5 percent interest. The plant sells electricity to EdF under a twelve-year power sales agreement. The plant also produces 2.7 MW of thermal energy which is sold, in the form of hot water, to a tomato greenhouse under a twelve-year thermal sales agreement. The plant commenced commercial operations on November 1, 2003.

management's discussion and analysis

2003 Revenue



2003 Megawatt hours generated



Year ended December 31, (in thousands of dollars)

2003

2002

Revenue

Canada	\$ 10,855	\$ 7,983
South East Asia	11,870	10,062
Europe	2,529	1,712
	\$ 25,254	\$ 19,757

Year ended December 31,

2003

2002

Megawatt hours generated

Canada	95,186	98,891
South East Asia	62,241	48,441
Europe	36,580	38,099
	194,007	185,431

Year ended December 31, (in thousands of dollars)

2003

2002

Operating income (loss) before asset impairment

Canada	\$ 535	\$ (641)
South East Asia	1,406	1,281
Europe	724	121
	\$ 2,665	\$ 761

Revenue

Consolidated revenue for 2003 increased by 28 percent to \$25.3 Million from \$19.8 Million in 2002. The majority of the increased revenue occurred in Canadian and Cambodian operations, \$2.9 Million and \$1.8 Million respectively. The Alberta assets realized significantly higher power prices in 2003. The 2003 average Alberta price was \$63 compared to the 2002 average Alberta price of \$44. This 43 percent price increase was partially offset by a 13 percent decrease in power production from the Alberta assets. Decreased volatility within the Alberta market reduced opportunities for the 25 MW APP assets to generate peak power. The Corporation also experienced additional downtime due to equipment problems with its fuel-abated assets. In addition, the start-up of the Vancouver landfill project ("VLF") at the end of the third quarter of 2003 contributed to increased Canadian revenue. VLF revenue is based on contracted prices established in a twenty-year Standard Electricity Purchase Agreement ("EPA"). Revenue from Cambodia is based on actual electricity output delivered and on a "flow through" of fuel costs. The stronger demand for electricity in Cambodia in 2003 resulted in a 28 percent increase in power production, with 62,241 MWh generated in 2003 compared with 48,441 MWh in 2002. This additional production was delivered by the C-1 plant expansion and by greater unit load factors. The "flow through" effect of higher fuel costs resulted in both higher revenue and fuel expenses. Cambodian operations are conducted in US currency. In 2003, the translated results were negatively impacted by the appreciation of the Canadian dollar. There was a minor increase in 2003 revenue from Europe due to the start-up in November of the French cogeneration project, Mirail. European revenue will increase in 2004 with a full-year of operations from Mirail and the start-up of another French project, Pouchon. Similarly, Canadian revenue will increase in 2004 with a full-year of operations of VLF and 11 months of operations from HR Milner and Hartland.

Plant Operations

Fuel costs for Cambodian operations and the APP project are the largest component of plant operations. These expenses increased to \$15.8 Million in 2003 from \$12.1 Million in 2002, an increase of \$3.7 Million or 31 percent. Of this increase, \$0.8 Million was due to higher 2003 gas prices at APP. The 2003 average gas price for APP was \$6.30 per gigajoule ("GJ") compared to \$3.90 per GJ in 2002. Cambodian fuel costs increased \$1.6 Million in 2003 over 2002 due to increased power production to meet growing power demand. The remaining increase was due to the start-up of VLF and Mirail, \$0.4 Million combined, equipment failures at Evi which increased plant operating expenses by \$0.2 Million and more equipment overhauls, \$0.4 Million, in Cambodia.

In Cambodia, the Corporation provides its own operating and maintenance services with local employees maintaining and operating the equipment and Caterpillar providing technical services as required. In Canada, operations of the facilities are managed through contracts with external parties. Gold Creek operations are contracted with Nova Gas Transmission Ltd who provides operating services at a fixed contract price. Contract operating services are utilized at the Corporation's Evi and Gift Lake facilities. A long-term contract with Jenbacher AG ("Jenbacher") provides for operating and maintenance services at the APP project which utilizes equipment purchased from Jenbacher. At VLF, the Corporation and Finning International Inc. ("Finning") entered into a long-term operations and maintenance agreement during 2003. Both Jenbacher and Finning are paid based on the number of MWh produced. For European operations, a contract with Jenbacher covers the provision of operating and maintenance services.

General and Administration

General and administration expenses were \$2.9 Million in 2003 compared with \$3.2 Million for 2002. A higher proportion of these costs were capitalized in 2003 as a result of extensive project development activities regarding the VLF, Hartland and French projects during the year. Business activities and the asset base have increased over 2002, however the total number of head office staff has essentially remained the same. Management continues to closely manage the general and administration costs of the Corporation.

Depreciation and Amortization

Depreciation increased from \$3.7 Million in 2002 to \$3.9 Million in 2003 which is mainly reflective of the new equipment installed in Cambodia in December, 2002 and VLF becoming operational at the end of the third quarter of 2003. The remaining depreciable lives of the Corporation's property, plant and equipment are as follows: European assets are approximately five years. Cambodian assets have an average life of between four to eight years with major overhauls required on a regular basis. The Canadian asset lives are varied with the Gold Creek facility depreciated over twenty years, Gift Lake over its eight year expected life, APP depreciated over the estimated 25-year life of its equipment and VLF depreciated over a twenty year term. Evi's asset life was originally depreciated over eight years, but revised at December 31, 2003, to be depreciated over its remaining three year life.

Impairment of Asset

The 2003 impairment provision of \$2.5 Million resulted from comparing Evi's carrying value to its future undiscounted cash flows at December 31, 2003. A review of the oil and gas reserves at Evi disclosed a significant decline and therefore uncertainty in the supply of flare gas

to the facility, thus reducing Evi's ability to generate power over the long term. The carrying value of Evi was \$2.5 Million greater than its future undiscounted cash flows which necessitated the impairment provision. Management tests for asset impairment at each of its projects annually or more frequently if circumstances warrant.

Interest

Interest expense decreased to \$1.4 Million in 2003 from \$1.5 Million in 2002. In June, 2003 Jupiter Power Holdings ("JPH") closed a US\$3.4 Million three-year term loan at 15 percent with Caterpillar Financial Services Corporation who also issued a US\$2.8 three-year term loan at 15 percent in December, 2002 for the C-1 expansion. The resultant increase in interest was offset substantially by reduced interest for the APP project for all of 2003. The APP project was financed with a five-year term loan from the equipment supplier, Jenbacher, at Libor plus 2.5 percent, replacing interim financing for the APP project that was issued at substantially higher interest rates.

Foreign Exchange Gain

The Corporation recorded a foreign exchange gain of \$1.5 Million in 2003 compared to a \$0.1 Million gain in 2002. This foreign exchange gain is the result of translating the Corporation's US dollar denominated debt into Canadian dollars at the balance sheet date. A stronger Canadian dollar in 2003 resulted in a lower Canadian dollar liability to repay the US denominated loan. The average exchange rate for 2003 was approximately 71 cents Canadian for each US Dollar compared to the 2002 average exchange rate of approximately 64 cents Canadian for each US Dollar.

(Recovery) Loss on Write-down of Investment

The Corporation wrote off its 25 percent equity investment in Etho Power Corporation ("ETHO") at the end of 2002. The write-off of \$2.4 Million was comprised of the Corporation's equity investment of \$2.1 Million and a secured convertible debenture ("CD") for \$0.3 Million. During 2003, the Corporation recovered the \$0.3 Million secured CD through bankruptcy proceedings.

Equity (Income) Loss

The Corporation accounts for its 41 percent ownership interest in Organic Waste Recycling Stade ("ORS") under the equity method of accounting. The facility became operational on June 30, 2003. The equity income in 2003 is the result of business interruption insurance proceeds received by ORS for the remainder of the year as a result of a major fire in July, 2003.

At December 31, 2003, ORS was continuing re-construction that was funded through insurance proceeds.

During 2002, the Corporation recorded an equity loss of \$0.7 Million from its investment in ETHO which was written off at December 31, 2002. The ETHO investment was also accounted for under the equity method.

Gain on Debt Retirement

On December 19, 2003, the Corporation realized a \$0.4 Million gain on the settlement of its US denominated long-term debt with Jenbacher.

Accrued Dividend on Cumulative Preferred Shares

The Corporation accrued dividends on preferred shares of JPH of \$0.4 Million in 2003 compared to \$1.2 Million in 2002. The decrease in 2003 was due to the Corporation continuing to purchase these preferred shares from its joint venture partner. The joint venture partner had provided additional funding to JPH in the form of these preferred shares beyond their 49 percent interest in JPH. During 2002, the Corporation purchased 1.8 Million of these preferred shares from its joint venture partner for a total consideration of \$4.1 Million. In June, 2003, another 1.0 Million of these shares were purchased for \$2.3 Million. Subsequent to December 31, 2003, the Corporation purchased the remaining 0.2 Million of these preferred shares for consideration of \$0.6 Million to arrive at its 51 percent proportionate interest. The Corporation accounted for its 51 percent interest in JPH using the proportionate consolidation method of accounting. Under this method, the Corporation has reflected its share of additional financing from its joint venture partner by way of non-voting preferred shares, purchases of the preferred shares and accrued dividends as "Due to joint venture partner" in the financial statements.

Income Taxes

Income taxes of \$0.1 Million were recorded in 2003 and \$0.2 Million in 2002. The decrease in 2003 income taxes over 2002 was largely related to the one year tax holiday granted by Cambodian authorities to Jupiter Power (Cambodia) Co., Ltd. that expired in November, 2003.

Net Income (Loss)

Net income in 2003 was \$0.9 Million or \$0.01 per share, versus a net loss of \$5.1 Million or \$0.04 per share for 2002. Excluding the effects of the 2003 Evi impairment provision and the 2002 ETHO investment write-off, net income for 2003 was \$3.4 Million or \$0.02 per share and net loss for 2002 was \$2.7 Million or \$0.02 per share. Increased 2003 average Alberta power prices over 2002, increase production from Cambodian operations and the start-up of operations at VLF and Mirail contributed to the increase in 2003 net income over 2002.

In addition to this increase in income from operations, the Corporation realized a foreign exchange gain of \$1.5 Million and a \$0.4 Million gain on debt settlement from the Jenbacher US denominated debt in 2003.

Capital and Liquidity

Capital Expenditures

Capital expenditures amounted to \$16.1 Million in 2003. Of this amount, \$11.2 Million was spent on the construction of the VLF project, \$1.3 Million on the Hartland project, and \$2.6 Million combined for the Corporation's interest in Mirail and Pouchon. The remaining capital expenditures were for various capital projects in Cambodia and Europe. Capital expenditures of \$2.3 Million in 2002 related primarily to the C-1 plant expansion in Cambodia.

Working Capital

The working capital deficiency increased from \$0.6 Million at December 31, 2002 to \$11.6 Million at December 31, 2003. The increase was attributed to construction-related accounts payable on the VLF and Hartland projects. Finning has provided construction financing of \$9.0 Million at December 31, 2003 for the VLF project. The Hartland project has incurred \$1.3 Million of construction costs at year-end 2003. Hartland commenced operations in February, 2004. The Corporation's funds from operations increased to \$5.7 Million in 2003 from \$2.7 Million in 2002.

During 2002, the Corporation raised \$17.8 Million of equity financing after issue costs of \$1.3 Million. The Corporation spent \$7.2 Million on investment activities mainly related to capital expenditures involving the Cambodian expansion. In addition to capital expenditures, all the remaining cash generated during 2002 was used mainly for repayment of debt and the purchase of 1.8 Million preferred shares from its joint venture partner for \$4.1 Million.

Long-term Debt

Long-term debt increased from \$14.9 Million in 2002 to \$15.7 Million at December 31, 2003. This overall increase of \$0.8 Million was mainly due to the new US\$ 3.4 Million debt raised by JPH in June, 2003. This three-year term loan bearing interest at 15 percent was issued to JPH in conjunction with the re-purchase of JPH preferred shares. Long-term debt also increased in 2003 as a result of the recognition of the Corporation's proportionate interest in project financing of Mirail and Pouchon of Euro\$1.5 Million and Euro\$1.4 Million respectively. Offsetting these increases in 2003 long-term debt were accelerated repayments of the Jenbacher US denominated debt through cash sweeps, and the translation of the Jenbacher debt at substantially appreciated Canadian currency.

On December 22, 2003, the Corporation entered into a loan agreement with the Bank of Montreal for \$13.5 Million. A portion of this facility was drawn on January 15, 2004 to repay outstanding amounts on both the Jenbacher loan for \$5.1 Million and the National Bank of Canada demand loan for \$2.8 Million. The repayment of the Jenbacher loan was negotiated at a discount with Jenbacher in December, 2003 resulting in a gain on debt retirement of \$0.4 Million that was recorded in the accounts for 2003. Furthermore, the settlement of the Jenbacher debt enabled the Corporation to fully realize the foreign exchange gain of \$1.4 Million in 2003.

The Bank of Montreal loan agreement is comprised of five loan Facilities (A through E). Except for Facility C, the loans are demand revolving in nature bearing various rates of interest and are available for working capital purposes or new project development. Facility C is a \$9.5 Million non-revolving reducing fixed rate term loan bearing interest at 6.79 percent per annum with blended monthly repayments of \$0.1 Million as well as quarterly repayments based on available cash flow. The Corporation granted the Bank of Montreal a first priority interest on all property and assets and a \$15.0 Million fixed and floating charge demand debenture constituting a first priority security interest in the Corporation's assets in Alberta. The Corporation also pledged its twenty percent partnership interest in the Milner Power Limited Partnership.

Equity

There were no new significant issuances of equity by the Corporation in 2003. During 2002, the Corporation issued 63,333,334 common shares for proceeds of \$17.7 Million, net of issuance costs of \$1.3 Million. Of the total units, 50,000,000 were issued to Finning. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase an additional share at a price of \$0.60 per share for a period up to two years after the issuance of these warrants. The warrants expire on April 30, 2004.

Risk Factors

Like any business, the power generating business has to deal with risks and risk mitigation.

Regulatory Environment

Laws, regulations, and legal framework in any country of MAXIM's present and future activities can be amended or imposed in a manner which could materially affect the treatment of the Corporation's facilities, operations and profitability, as well as the carrying out of current and future projects of the Corporation.

In November, 2003, the Corporation informed the local regulatory authority, Greater Vancouver Regional District ("GVRD"), that it was operating in excess of the exhaust flow emission limits allowed under its existing air quality permit at the Vancouver landfill project ("VLF"). The VLF project continues to operate above the exhaust gas flow rates allowed under its existing permit with the permission of the GVRD, subject to ultimate approval of an amended permit. The Corporation believes that the amended air quality permit application filed on February 5, 2004 will be approved and the VLF project will be in compliance with regulated emission standards.

The Corporation has a 45.6 percent interest in Pouchon, a French cogeneration project. Pouchon has suffered a delay in the start-up of its operations, the result of interconnection negotiations with Electricity de France ("EDF"). The negotiations have caused Pouchon to delay initial production. Arbitration proceedings are ongoing with the EDF to resolve the issue. Based on ongoing discussions, Management believes the delay will be resolved.

Environmental Considerations

The facilities encompass operations, which require adherence to environmental standards imposed by regulatory bodies. Operating the power plants in strict compliance with regulatory standards may, in the future, require investments to modify the facilities.

Equipment Failure

The ability of the power plants to generate the maximum amount of power is determinant to the Corporation's profitability. Regular maintenance programs and insurance mitigate the risk of potential equipment failure and the consequent loss of revenues.

Commodity Prices

Revenues are partially dependent upon energy prices paid by customers. The Corporation's revenues are derived from both fixed payments and commodity-based energy prices. Contractual arrangements are sought that will mitigate the variation in the commodity-based revenue stream. At the VLF project, the Corporation entered into a twenty-year EPA agreement which has fixed hourly prices for power over the entire term.

Fuel Price

Fuel price fluctuations will impact the Corporation's operations and profitability. The degree of impact can be minimized through proper structuring of the fuel supply agreements, by linking the commodity price to the fuel price or by not having to run plants and consume fuel during periods of low energy prices.

management report

All information in the annual report of MAXIM is the responsibility of Management. The consolidated financial statements and the MD & A have been approved by the Board of Directors. Financial information presented throughout this report is consistent with the data presented in the financial statements which are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

The Board of Directors carries out its responsibilities for the financial statements primarily through its Audit Committee. The Audit Committee meets quarterly with Management and annually with the independent auditors, each of whom has full, free access to the Audit Committee.

The independent auditors are responsible for auditing the financial statements and giving an opinion thereon.

A handwritten signature in black ink, appearing to read 'J. R. Bobenic', is written over a horizontal line.

John R. Bobenic
President and Chief Executive Officer
March 31, 2004

auditor's report

To the Shareholders of Maxim Power Corp.

We have audited the consolidated balance sheets of Maxim Power Corp. as at December 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 31, 2004

consolidated balance sheets

As at December 31, 2003 and 2002

(In Thousands of Dollars)

	2003	2002
Assets		
Current assets:		
Cash (note 4)	\$ 3,831	\$ 3,961
Accounts receivable	4,188	4,138
Prepaid expenses	480	499
Inventory	432	80
Equipment held for resale	—	1,935
	8,931	10,613
Property, plant and equipment (note 5)	56,284	46,795
Deferred costs (note 18(a))	1,212	1,667
Investments (note 6)	729	364
Due from related parties (note 7)	2,603	1,357
Goodwill	8,248	8,248
	\$ 78,007	\$ 69,044
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,281	\$ 3,918
Due to related party (note 7)	9,036	—
Loan payable (note 8)	—	3,900
Current portion of long-term debt (note 9)	4,262	3,375
	20,579	11,193
Long-term debt (note 9)	11,454	11,520
Due to joint venture partner (notes 10 and 18(b))	2,692	4,567
Deferred revenue	312	—
Non-controlling interest	470	—
Shareholders' equity:		
Share capital (note 11)	54,202	54,118
Cumulative translation adjustment	407	627
Deficit	(12,109)	(12,981)
	42,500	41,764
Continuing operations (note 2)		
Commitments (note 12)		
Contingencies (note 17)		
Subsequent events (note 18)		
	\$ 78,007	\$ 69,044

See accompanying notes to consolidated financial statements.

On behalf of the Board:

John R. Bobenic

Director



Alan Moon

Director



consolidated statements of operations and deficit

Years ended December 31, 2003 and 2002

(In Thousands of Dollars)

	2003	2002
Revenue:		
Electricity sales	\$ 25,254	\$ 19,757
Expenses:		
Plant operations	15,801	12,099
General and administration	2,927	3,205
Depreciation and amortization	3,861	3,692
Impairment of asset <i>(note 5)</i>	2,510	–
	25,099	18,996
Income before the following items	155	761
Interest	1,356	1,527
Foreign exchange gain	(1,482)	(104)
(Recovery) loss on write-down of investment <i>(note 6)</i>	(310)	2,396
Equity (income) loss <i>(note 6)</i>	(361)	663
Gain on debt retirement <i>(note 9(b))</i>	(419)	–
Accrued dividend on cumulative preferred shares <i>(note 10)</i>	437	1,178
Income (loss) before income taxes	934	(4,899)
Income taxes <i>(note 13)</i>	62	216
Net income (loss)	872	(5,115)
Deficit, beginning of year	(12,981)	(7,866)
Deficit, end of year	\$ (12,109)	\$(12,981)
Basic and diluted income (loss) per share	\$ 0.01	\$ (0.04)

See accompanying notes to consolidated financial statements

consolidated statements of cash flows

Years ended December 31, 2003 and 2002

(In Thousands of Dollars)

	2003	2002
Cash provided by (used in):		
Operations:		
Net income (loss)	\$ 872	\$ (5,115)
Items not involving cash:		
Depreciation and amortization	3,861	3,692
Impairment of asset	2,510	–
Foreign exchange gain	(1,482)	(104)
Loss on write-down of investment	–	2,396
Equity (income) loss	(361)	663
Accrued dividend on cumulative preferred shares	437	1,178
Fair value of stock based compensation	71	–
Gain on equipment sale	(216)	–
Funds from operations	5,692	2,710
Change in non-cash working capital (note 14)	2,261	(206)
	7,953	2,504
Financing:		
Due from related parties	(1,246)	(997)
Due to related parties	9,036	(505)
Changes in loan payable	(3,900)	(5,487)
Changes in long-term debt	1,416	(1,874)
Due to joint venture partner	(2,312)	(4,077)
Non-controlling interest	470	–
Issue of common shares (net of issue costs)	13	17,755
Change in non-cash working capital (note 14)	887	2,162
	4,364	6,977
Investing:		
Proceeds on equipment resale	2,151	(1,935)
Property, plant and equipment	(16,118)	(2,309)
Deferred costs	454	(1,383)
Investments	–	(328)
Changes in non-cash working capital (note 14)	1,031	(1,236)
	(12,482)	(7,191)
Effect of foreign exchange	35	(124)
(Decrease) increase in cash	(130)	2,166
Cash, beginning of year	3,961	1,795
Cash, end of year	\$ 3,831	\$ 3,961

See accompanying notes to consolidated financial statements.

notes to consolidated financial statements

Years ended December 31, 2003 and 2002

(Amounts in thousands of dollars, except shares and per share amounts)

1. Basis of presentation:

The consolidated financial statements include the accounts of the Corporation, its wholly-owned and controlled subsidiaries.

The Corporation accounts for its 51% interest in Jupiter Power Holdings (Bermuda) Ltd. ("JPH") and French joint ventures, Pouchon Cogen ("Pouchon") and Mirail Cogen ("Mirail"), using the proportionate consolidation method of accounting as the investments are considered to be of joint control.

The Corporation has accounted for its 45% interest in Cambo-Cana Power Corporation and Import Export Co. Ltd. using the purchase method of accounting for business combinations. Using this method, the Corporation has reflected 100% of the accounts of these entities in its consolidated financial statements with a deduction provided for the non-controlling interest's proportion of the accounts.

The consolidated financial statements of the Corporation have been prepared by management in accordance with accounting principles generally accepted in Canada. Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made with careful judgment. In the opinion of management, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

2. Continuing operations:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable for a going concern, which presumes the realization of assets and discharge of obligations in the normal course of business.

At December 31, 2003 the Corporation has a deficit of \$12,109 and a working capital deficiency, of \$11,648. The Corporation's ability to continue as a going concern is dependent upon profitable operations, the continuing support from its creditors and its continuing ability to obtain financing.

These financial statements have been prepared on the basis that the Corporation would meet all its obligations and do not include any adjustments to the amounts and classification of assets and liabilities, revenues and expenses that might be necessary should the Corporation be unable to continue business.

3. Significant accounting policies:

(a) Capital assets:

Plant and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful life at average annual rates ranging from 4% to 25%. Depreciation commences in the year the assets are put in use.

Expenditures for additions and improvements are capitalized and expenditures for maintenance and repairs are charged to income.

(b) Investments:

The investments in associated companies are accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the Corporation's share of earnings or losses less dividends of the investee.

(c) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on the fair values. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicated that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the business is compared to its fair value. When the fair value of the business exceeds its carrying amount, goodwill of the business is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of the business' goodwill exceeds its fair value, in which case the implied fair value of the business' goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of the goodwill in a business combination as described above. Using the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

(d) Foreign currency translation:

The Corporation's European subsidiaries and joint ventures are considered to be self-sustaining operations. Assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at the period end rates of exchange. Revenues and expenses are translated using average exchange rates for the year. Translation adjustments are reflected in the cumulative translation adjustment in shareholders' equity.

Assets and liabilities of the Corporation's integrated foreign operations in Asia are translated into Canadian dollars at the period end rates of exchange for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. In general, average exchange rates for the year are used to translate the revenues and expenses. Exchange gains or losses are included in income.

(e) Revenue recognition:

Revenue is recognized when electricity is delivered. Under certain long-term Electrical Purchase Agreements ("EPA"), revenue is recognized based on the amount of electricity delivered and on the average revenue price over the term of the EPA. Amounts billed above or below the average revenue price under the EPA, are recognized as deferred revenue.

(f) Income taxes:

The Corporation follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective income

tax bases, using enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs.

(g) Per share amounts:

Basic income or loss per common share are computed by dividing net income or loss by the weighted average number of common shares outstanding for the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options or other dilutive instruments were exercised or converted to common shares. The treasury stock method assumes that any proceeds upon the exercise or conversion of dilutive instruments, for which market prices exceeds exercise price, would be used to purchase common shares at the average market price of the common shares during the period.

(h) Stock based compensation:

The Corporation has one stock-based compensation plan, which is described in note 11(c).

Effective January 1, 2003, the Corporation prospectively adopted the new accounting standard of expensing the vested fair market value portion of stock based compensation granted during 2003. The expense amount is determined using the fair value method of accounting for stock based compensation. Fair market value is determined using the Black-Scholes option pricing model when the stock-based compensation is granted.

Previously, the Corporation used the intrinsic value method of accounting for its stock based compensation plan effective January 1, 2002. Under this method, consideration paid by employees or directors on the exercise of stock options under the employee stock option plan are recorded as share capital. The Corporation did not recognize compensation expense on the issuance of stock options to employees and directors because the exercise price equaled the market price on the day of the grant. The Corporation discloses the pro forma effect of accounting for those 2002 stock option awards under the fair value method. The Black-Scholes option pricing model is used to estimate fair value.

4. Cash:

As at December 31, 2003, the Corporation has restricted cash of \$654. Of this balance, \$627 was used as collateral for various agreements.

The Corporation's cash balance also includes \$1,027 (2002 - \$1,222), relating to its 51% joint venture investment in JPH. A substantial portion of the cash is being used for re-investing in the joint venture and any repatriation of funds requires approval from both joint venture partners.

5. Property, plant and equipment:

	Cost	Accumulated depreciation	Net book value
2003			
Property, plant and equipment	\$ 71,574	\$ 15,290	\$ 56,284
2002			
Property, plant and equipment	\$ 55,392	\$ 8,597	\$ 46,795

At December 31, 2003 the Corporation recorded a provision for impairment of \$2,510 in the carrying value of its Evi facility. A review of oil and gas reserves at December 31, 2003 disclosed a significant decline in those reserves and therefore uncertainty in the supply of flare gas to the facility. Evi will remain in operation until the flare gas supply declines to an uneconomical level.

6. Investments:

- (a) During 2002, the Corporation increased its ownership in ORS Organic Waste Recycling Stade GmbH of Germany ("ORS") from 25% to 41% through an investment of \$322. The equity investment in ORS as at December 31, 2003 is \$729 (2002 - \$364). This investment is accounted for using the equity method of accounting.
- (b) During 2002, the Corporation purchased 1,000,000 out of a total of 4,000,000 additional common share units in Etho Power Corporation ("Etho Power") for \$500, retaining the Corporation's equity interest at 25%. The Corporation also issued a 7% subordinated secured convertible debenture ("CD") for \$300 to Etho Power during 2002.

At December 31, 2002, Etho Power was facing financial difficulty and the Corporation wrote off the Etho Power investment carrying value of \$2,096 and the CD of \$300 as a loss on write-down of investment to reflect the impairment of the investment. During 2003, the Corporation recovered \$310 through bankruptcy proceedings from its secured CD.

7. Related party transactions:

As at December 31, 2003, the amount due from related parties of \$2,603 (2002 - \$1,357) primarily relates to an outstanding loan from ORS of \$1,730 (2002 - \$1,357) which has a 15-year term bearing interest at 7.5% per annum. Loans of \$351 and \$472 to Pouchon and Mirail each bear interest at 10% per annum and both principal and interest are both payable in May of each year. Repayment of the Pouchon and Mirail loans is based on available cash flow on hand less a six month provision for operations and maintenance costs and principal and interest due on the bank loans.

As at December 31, 2003, the amount due to related party relates to advances of \$9,036 from Finning International Inc. ("Finning"), a major shareholder of the Corporation. The amounts are primarily related to construction of the Corporation's Vancouver landfill gas cogeneration facility ("VLF") in Delta, B.C. Finning provided generating equipment, the design and construction of the cogeneration powerhouse and project financing. The advances bear interest at 4.0% for equipment financing and prime lending rate plus 0.25% per annum for project financing.

During 2002, the Corporation received loans from shareholders of \$750 which were repaid by December 31, 2002. In lieu of any interest or fees on these loans, the Corporation granted 1,920,000 non-transferable warrants to the lenders. Each warrant entitles the lender to acquire one common share of the Corporation at an exercise price of \$0.60 and originally expired on October 10, 2003. The expiry date for these warrants has been further extended to April 30, 2004 (see note 11(d)).

8. Loan payable:

During 2003, the Corporation arranged to repay the loan payable to the National Bank of Canada in conjunction with the issuance of the Bank of Montreal loan facilities. As a result, the December 31, 2003 balance of \$2,820 (2002 - \$3,900) has been reclassified to long-term debt. The year-end balance of the loan was repaid on January 15, 2004 (see note 9(a)). The demand loan facility originated with the purchase of Gold Creek waste heat power generation facility in 2001, with a total limit of up to

\$6,600 at the prime lending rate plus 2%. The outstanding amount was to be repaid over a maximum of five years. Initial fixed monthly payments of \$110 commenced in January of 2002. In March of 2002, the lender agreed to reduce these fixed monthly payments to \$90. To secure the loan agreement, the Corporation granted to the National Bank of Canada a first charge on substantially all the assets of the Gold Creek, Evi and Gift Lake projects.

In 2002, the Corporation also repaid the outstanding amount of interim financing associated with the installation of power generators in Southern Alberta. Total principal advanced on this loan was \$3,937 and the interest on this loan was payable at 24% per annum.

9. Long-term debt:

	2003	2002
Canadian projects (note 8 and 9(b))	\$ 7,880	\$ 9,078
Cambodian projects (note 9(c))	2,970	2,409
European projects (note 9(d))	4,866	3,408
	15,716	14,895
Less current portion	4,262	3,375
	<u>\$ 11,454</u>	<u>\$ 11,520</u>

- (a) On December 22, 2003 the Corporation entered into a loan agreement with the Bank of Montreal, whereby funding under this facility was available and utilized on January 15, 2004 to settle the National Bank balance outstanding of \$2,820 (see note 8) and the Jenbacher Ltd.. ("Jenbacher") balance outstanding of \$5,060 (see note 9(b)). As the Bank of Montreal facility is of a long-term nature the total of \$ 7,880 outstanding at December 31, 2003 for the National Bank and Jenbacher debts have been classified as long-term debt. The debt arrangement is comprised of five facilities as follows:

Facility A is a \$2,000 demand revolving facility for general working capital purposes, margined up to 90% of current accounts receivable from the Power Pool of Alberta.

Facility B is a \$1,000 demand revolving facility for new project development. Both Facilities A and B bear interest at the prime interest rate plus 0.75% per annum.

Facility C is a \$9,500 non-revolving reducing fixed rate term loan bearing interest at 6.79% per annum with blended monthly repayments of \$142. In addition, the Corporation is required to make quarterly principal repayments of 50% of any defined excess cash flow. At December 31, 2003 the Corporation had drawn \$7,880 under Facility C to repay amounts outstanding to the National Bank of Canada (note 8) and Jenbacher, Ltd.. (note 9(b)).

Facility D is a \$1,000 demand revolving facility for risk management purposes with interest at prevailing market rates at the time of the transactions.

Facility E is a \$500 demand revolving facility for letters of credit required for general corporate purposes. The letters of credit are to be cash collateralized and bear interest at 1.25% per annum.

Except for Facility E, the Corporation granted a first priority security interest on all property and assets and a \$15,000 fixed and floating charge demand debenture constituting a first priority security interest in the Corporation's assets located in Alberta. The Corporation also pledged its partnership interests in the Milner Power Limited Partnership.

- (b) On December 19, 2003 the Corporation entered into an agreement with Jenbacher to repay the secured interest bearing loan of \$5,479 for an amount of \$5,060 resulting in a gain on retirement of \$419. This loan was repaid on January 15, 2004 utilizing funds from the Bank of Montreal facility (see note 9(a)). The 5 year term loan with Jenbacher originated in 2001 and related to the purchase of power generators. Interest was payable monthly at the rate of LIBOR plus 2.50% per annum. The Corporation was required to make monthly payments of 85% of a defined net cash flow calculation generated from the Southern Alberta power project. The Corporation was also required to make payments on the principal of 25% of new financings as defined in the loan agreement. To secure the loan agreement, the Corporation had granted to Jenbacher a priority lien on substantially all the assets of the project.
- (c) JPH closed a debt financing of US\$2,800 in 2002, for which the Corporation's share is US\$1,428. This 3-year term loan bearing interest at 15%, was raised in conjunction with the expansion of the existing C-1 power station in Cambodia. JPH is required to make quarterly fixed principal payments of US\$233 plus interest.

During June, 2003, JPH closed another debt financing of US \$3,375 with the same lender. The Corporation's share was US\$1,688. The loan was arranged to allow JPH to re-purchase 1,687,500 shares of each of its Class A and Class B preferred shares. The 3-year term loan bears interest at 15% with quarterly fixed principal payments of US\$375 plus interest. In conjunction with the 2003 term loan issuance, the Corporation also issued a US\$58 guaranty to the lender.

Both term loans are secured by a first priority security interest issued by JPH to the lender. Further quarterly repayments will be required if any distributions to shareholders exceed US\$6,175.

As of December 31, 2003, JPH was not in compliance with the debt service, indebtedness and current ratio covenants of both term loans. JPH received a waiver of these covenant breaches from the lender.

- (d) The Corporation has six project bank term loans associated with projects in operation in Europe at December 31, 2003:
- (i) The Ravne project financing of 40,125,000 Austrian Shillings ("ATS") is a 10 year term loan, which commenced May 1999 and terminates on October 31, 2009. The interest rate is Euribor plus 2.75% per annum. Security for the loan is an assignment of material sales contracts and equipment maintenance contracts for the project and a charge against the equipment. The loan agreement requires quarterly prepayments calculated at approximately 40% of the project cash flow for the proceeding quarter. These prepayments will reduce the term of the loan from 10 years to approximately 8 years.
 - (ii) The Ammann project financing of 3,840,000 ATS is a 7 year term loan, which commenced September 1999 and terminates on September 30, 2006. The interest rate is Euribor plus 0.75% per annum. Security for the loan is an assignment of material sales contracts and equipment maintenance contracts for the project and a charge against the equipment as well as a pledge of any undistributed cash in the project account.
 - (iii) The Riederberg project financing of 3,100,000 ATS is an 8 year term loan, which commenced April 1997 and terminates on March 31, 2005. The interest rate is 6.95% per annum. Security for the loan is an assignment of material sales contracts and equipment maintenance contracts for the project and a charge against the equipment.

- (iv) The Ruegen project financing of \$160,000 Euro is a 5 year term loan which commenced in 2003 and terminates in 2008. The interest rate is Euribor plus 1.75% per annum. Principal and interest is repayable quarterly. Security for the loan is an assignment of material sales contracts and a charge against the equipment.
- (v) The Pouchon and Mirail project financing with Raiffeisen Zentralbank Osterreich Aktiengesellschaft AG ("RZB") bank is for \$1,530,000 Euro and \$1,390,000 Euro, respectively. Both loans have a maturity date of November 15, 2012, an interest rate based on Euribor plus 1.80% per annum and 27 principal and interest repayments over the term of each loan. Security for the loans is a mortgage on each project property and assignment of contracts to RZB from each project.

The Corporation's anticipated repayment obligations on the above loans over the next five fiscal years are as follows:

2004	\$ 4,262
2005	4,094
2006	2,821
2007	2,932
2008 and thereafter	1,607
	<u>\$ 15,716</u>

10. Interest in Joint Ventures:

The Corporation has recorded its 51% investment in JPH, its 45.5% investment in Pouchon and its 37.5% investment in Mirail using the proportionate consolidation method of accounting. Under this method, the Corporation has reflected in its financial statements, its share of the jointly controlled assets, liabilities, revenue and expenses of each joint venture.

The Corporation's share of the accounts of joint ventures is as follows:

	2003	2002
Balance Sheet		
Current assets	\$ 4,489	\$ 3,838
Capital assets	8,408	5,815
Current liabilities	(4,897)	(2,531)
Long-term liabilities	(3,051)	(4,567)
Statements of Income (Loss)		
Revenue	\$ 12,120	\$ 10,062
Expenses	(10,728)	(8,808)
Net income (loss)	466	(256)
Statements of Cash Flows		
Operations	\$ 2,757	\$ 2,761
Financing	1,242	2,409
Investing	(4,345)	(2,012)

The Corporation's joint venture partner at JPH has provided additional funding to JPH beyond its 49% interest. This funding was in the form of non-voting preferred shares with a cumulative dividend increasing from 12% to 25%. The Corporation's intention is to own a 51% interest in these preferred shares and the remaining amount, \$0.6 million, required to accumulate a 51% interest in JPH preferred shares was acquired subsequent to December 31, 2003 (see note 18b). During 2003, the Corporation acquired 1.0 million (2002 - 1.8 million) of these shares from its joint venture partner for a total consideration of \$2.3 (2002 - \$4.1 million) and recognized \$437 (2002 - \$1,178) of accrued dividends on the preferred shares as an expense.

11. Share capital:

(a) Authorized

Unlimited number of common shares without nominal or par value
 Unlimited number of Class A non-voting preferred shares
 Unlimited number of Class B non-voting preferred shares

(b) Issued

	Number	Amount
Balance, December 31, 2001	72,657,697	\$ 36,363
Issued for cash, net of share issue costs	63,333,334	14,879
Exercised:		
Stock options - (c)	129,167	17
Warrants - (d)	—	2,859
Balance, December 31, 2002	136,120,198	\$ 54,118
Exercised:		
Stock options - (c)	100,000	13
Fair value - (c)	—	71
Balance, December 31, 2003	136,220,198	\$ 54,202

In April of 2002, the Corporation issued 63,333,334 units at a price of \$0.30 per unit. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase an additional share at a price of \$0.60 per share for a period of two years after issuance.

(c) Stock options

The Corporation has one employee stock option plan under which employees, directors and key consultants are eligible to receive grants. Stock options issued and outstanding are as follows:

	Number	Weighted average exercise price
Balance, December 31, 2001	6,883,667	\$ 0.66
Exercised	(129,167)	(0.13)
Cancelled	(450,000)	(0.79)
Granted	1,820,000	0.59
Balance, December 31, 2002	8,124,500	0.64
Exercised	(100,000)	(0.13)
Cancelled	(731,000)	(0.73)
Granted	3,060,000	0.22
Balance, December 31, 2003	10,353,500	\$ 0.52

Details of the stock options outstanding at December 31, 2003 are as follows:

	Options Outstanding at December 31, 2003			Options Exercisable at December 31, 2003	
	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
Range of Exercise Prices					
\$0.13 to \$0.32	4,449,000	3.7	\$0.24	1,466,667	\$0.29
\$0.33 to \$0.58	1,695,000	2.2	\$0.56	1,595,000	\$0.56
\$0.59 to \$0.80	3,317,500	3.5	\$0.70	1,661,667	\$0.73
\$0.81 to \$1.34	892,000	3.0	\$1.12	594,666	\$1.12
	10,353,500	3.3	\$0.52	5,318,000	\$0.60

As of January 1, 2003, the Corporation accounts for its stock option plan using the fair value method. Under this method, \$71 of costs are recorded as expense for options granted to employees or directors during 2003.

For options issued after January 1, 2002 to December 31, 2002, the Corporation accounted for its stock option plan using the intrinsic-value method. Under this method, no costs are recognized for options issued to employees or directors. For options issued after January 1, 2002, disclosure of the impact on net earnings using the fair value method for stock options is required. In 2003, if the fair value method had been used for the 2002 stock options granted, the Corporation's pro forma net income (loss) would decrease by \$61 (2002 - (\$38)) to \$811 for the year ended December 31, 2003. The pro forma net income (loss) per share for the same period would remain at \$0.01 (2002 - (\$0.04)) per share.

The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing method with weighted average assumptions for grants in 2002 and 2003 as follows:

Risk free interest rate (%)	3.00
Time to expiration (years)	5.00
Volatility (%)	50.00

(d) Warrants

	Number	Weighted average exercise price
Balance, December 31, 2001	6,912,827	\$ 1.31
Issued	65,253,334	0.60
Expired	(4,412,827)	(0.79)
Re-priced:		
Issued previously	(2,500,000)	(2.25)
New price	2,500,000	0.60
Balance, December 31, 2002	67,753,334	0.60
Extended:		
Warrants to expire	(4,420,000)	(0.60)
Warrants extended	4,420,000	0.60
Balance, December 31, 2003	67,753,334	\$ 0.60

The Corporation has applied the Black-Scholes option-pricing method in determining the fair value of the 65,253,334 warrants issued in 2002. Of this total, 63,333,334 warrants were issued in conjunction with the units referred to in note 11(b) and the fair value of \$2,859 has been allocated to share capital. The remaining 1,920,000 warrants were issued to shareholders in lieu of financing charges on the loans advanced to the Corporation referred to in (note 7) and the fair value of \$50 was charged to earnings during 2002.

During 2003, the Corporation extended the expiry date of these 1,920,000 warrants from October 10, 2003 to April 30, 2004. The Corporation also extended the expiry date of 2,500,000 warrants from May 1, 2003 to April 30, 2004. The same warrants were re-priced in 2002 from an exercise price of \$2.25 per share to \$0.60 with an expiry date of May 1, 2003. The warrants were previously issued to an arms-length party on May 1, 2001. This transaction had no material effect on the consolidated financial statements.

Each of the outstanding warrants entitles the holder to acquire one common share of the Corporation at a price of \$0.60 per share and will expire April 30, 2004.

(e) Special warrants and broker warrants:

During 2002, 1,019,377 broker warrants expired. These broker warrants were issued as commission for the issue of special warrants in 2000.

The Corporation had 300,000 special warrants outstanding at December 31, 2002 which expired in 2003. Each warrant entitled the holder to acquire one common share at an exercise price of \$0.95 at any time up to May 30, 2003.

(f) Earnings per share:

The weighted average number of shares outstanding during the year was 136,129,787 (2002 - 115,378,930). For the 2003 fully diluted earnings per share calculation, 235,681 shares (2002 - nil shares) were added to the average number of common shares outstanding during the year for the dilutive effects of exercisable stock options.

12. Commitments:

- (a) The minimum annual office and equipment lease commitments, inclusive of certain operating costs are as follows:

2004	\$ 58
2005	61
2006	64
2006	59
2008	9

- (b) The Ravne facility has a long-term sales contract with Energetica Ravne d.o.o., a wholly-owned subsidiary of the state owned Slovenian Steel Works, for the production of electricity and heat. This contract provides for minimum monthly fixed revenue of 585,444 ATS and a variable revenue on the basis of Kilowatt hours ("Kwh") of electricity generated.

The Corporation has a long-term operations and maintenance contract for the Ravne facility which is payable quarterly and is based on the number of Kwh produced from the facility for the preceding quarter.

Mirail has a 12 year sales contract with Electricity de France ("EDF") and a 12 year contract for thermal heat sales to a greenhouse operation. Sales to EDF are at fixed hourly rates with a bonus based on specific levels of efficiency. Thermal sales delivered to the greenhouse must reach a specific minimum level. The gas supply for Mirail is completed under a 3 year contract with Gaz de France.

Electricity generated from the Corporation's Cambodian facilities is sold to various Governments of the Provinces and Electricite de Cambodge ("EdC"), the central power supply agency for the Cambodian Government, under long-term contracts. The Corporation receives a fixed capacity payment and a variable fuel tariff. The fuel tariff is tied to the price of diesel used to generate the electricity and effectively provides a pass-through of the fuel costs into the sales price of the electricity produced.

The Corporation has entered into an agreement with the City of Vancouver to utilize its methane gas from landfill. In exchange for gas from the landfill, the City of Vancouver will receive a percentage of the electrical and thermal energy sales based on the volume of gas extracted from the landfill. The term of the agreement is 20 years. The Corporation has also entered into 20 year

contracts to sell electricity to British Columbia Hydro, at fixed hourly rates, and to sell thermal energy to a greenhouse facility. The operations and maintenance contract is with Finning at fixed rates based on the hours of electrical production.

13. Income taxes:

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at 34.6% (2002 - 35.1%) to income before income taxes. A reconciliation of the differences is as follows:

	2003	2002
Computed income taxes (recovery)	\$ 324	\$ (1,719)
Increase (decrease) in taxes:		
Valuation allowance	70	491
Effect of lower foreign income taxes	(116)	(324)
Non-deductible equity (income) loss	(232)	1,073
Gain on unrealized foreign exchange	(445)	–
Non-taxable dividend on preferred shares	151	413
Other	295	97
Effect of Canadian tax rate reduction	15	185
	\$ 62	\$ 216

The components of the future tax asset are as follows:

	2003	2002
Future income tax assets:		
Non-capital loss carry forwards	\$ 2,726	\$ 3,131
Share issue costs	342	471
Capital assets	1,059	554
Other	191	92
Valuation allowance	(4,318)	(4,248)
	\$ –	\$ –

The amount and expiry date of unused tax losses are as follows:

	Canadian	Foreign	Total
2004	\$ 221	\$ –	\$ 221
2005	894	799	1,693
2006	287	555	842
2007	–	–	–
2008	840	–	840
After 2008	2,689	2,142	4,831
	\$ 4,931	\$ 3,496	\$ 8,427

The potential benefit of the above loss carry forwards, which begin to expire in 2004, have not been recognized in the financial statements.

14. Change in non-cash working capital:

	2003	2002
Operations:		
Accounts receivable	\$ (50)	\$ (1,411)
Prepaid expenses	19	(236)
Inventory	(352)	315
Accounts payable and accrued liabilities	2,332	1,126
Deferred revenue	312	–
	2,261	(206)
Financing:		
Current portion of long-term debt	887	2,162
Investing:		
Accounts payable	\$ 1,031	\$ (1,236)

The following cash payments have been made during the year:

	2003	2002
Taxes	\$ 102	\$ 240
Interest	\$ 820	\$ 1,345

15. Segmented information:

The Corporation is an independent power Corporation engaged in the development, ownership and operation of power generation facilities and the sale of electricity and heat. The Corporation's revenues by geographic area are as follows:

	2003		2002	
	Revenue	Income (loss) before the following items	Revenue	Income (loss) before the following items
Europe	\$ 2,529	\$ 724	\$ 1,712	\$ 121
Asia	11,870	1,406	10,062	1,281
Canada	10,855	(1,975)	7,983	(641)
Total	\$ 25,254	\$ 155	\$ 19,757	\$ 761

The location of the Corporation's capital assets by geographic area are as follows:

	2003	2002
Europe	\$ 6,455	\$ 4,574
Asia	6,340	6,354
Canada	43,489	35,867
Total	\$ 56,284	\$ 46,795

In Asia, approximately 93% of electricity sales are to Electricité du Cambodge in Phnom Penh, Cambodia while substantially all electricity sales in Canada are to the Power Pool of Alberta.

Any changes in government policies in foreign jurisdictions could have a significant impact on the Corporation's proposed business ventures. Risks of foreign operations include, but are not necessarily limited to, changes of laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange, inflation, exchange control, repatriation of earnings and civil unrest. There are no assurances that the economic and political conditions in the countries in which Maxim operates and intends to operate will continue in such countries as they are at the present time. The effect of these factors cannot be accurately predicted.

16. Financial instruments:

(a) Foreign currency exchange risk:

The Corporation is exposed to foreign currency fluctuations as the Corporation has a majority of its assets and liabilities denominated in foreign currencies that creates an exposure in exchange rates.

(b) Credit risk:

Credit risk arises from the possibility that the entities to which the Corporation provides services may experience difficulty and be unable to fulfill their obligations. The Corporation is exposed to financial risk that arises from the credit quality of the entities to which it provides services.

A significant portion of the Corporation's trade accounts receivable are in Jupiter Power Asia Co. Ltd. and Jupiter Power (Cambodia) Co. Ltd., which are wholly-owned subsidiaries of JPH. These trade accounts receivables in the amount of \$1,865 (2002 - \$2,072) are receivable from Electricité du Cambodge in Phnom Penh, Cambodia.

(c) Operating risk:

The ability of the power plants to generate the maximum amount of power is determinant to the Corporation's profitability. Regular maintenance programs and insurance mitigate the risk of potential equipment failure and the consequent loss of revenues. The Corporation has no obligations under its contracts to deliver minimum levels of power, except for its C-1 power station in Cambodia, and is paid on the basis of actual power deliveries. Any reductions in the volume of power delivered will directly reduce the amount of power revenues received by the Corporation.

During 2002, the Corporation entered into an agreement with the Alberta Watt Exchange Limited ("Watt-Ex") for the trading of ancillary services. If at any time the Corporation's facility is unable to perform successfully as set out in the Ancillary Service Contract, it may be responsible for all direct incremental costs incurred by the Transmission Administrator in seeking and obtaining any alternative supply of such Ancillary Service or alternatively as available in the market place. The incremental costs, if any, are not expected to materially affect the results of operations and consolidated financial position of the Corporation.

(d) Fair value of financial instruments:

The carrying amounts of financial instruments included in the balance sheet, other than long-term debt, approximate their fair value due to their short-term maturity. The long-term debt has carrying values that approximate fair value due to the cost of borrowing floating at December 31, 2003.

17. Contingencies:

- (a) In November 2003 the Corporation informed the local regulatory authority, Greater Vancouver Regional District, that it was operating in excess of the exhaust flow emission limits allowed under its existing air quality permit at the Vancouver landfill project ("VLF"). The VLF project continues to operate above the exhaust gas flow rates allowed under its existing permit with the permission of the Greater Vancouver Regional District, subject to ultimate approval of an amended permit. The Corporation believes that the amended air quality permit application filed on February 5, 2004 will be approved and the VLF project will be in compliance with regulated emission standards.
- (b) Interconnection negotiations with EDF have delayed start-up operations at Pouchon. The lack of interconnection caused Pouchon to miss production of electricity and thermal heat for one cogeneration season in France. Arbitration proceedings are ongoing with the EDF to remedy the matter. Based on ongoing discussions, the Corporation believes the delay will be resolved and will not materially affect the operations and consolidated financial position of the Corporation.
- (c) In July, 2003, ORS initiated legal proceedings against A/S Cimbria the major contractor responsible to construct ORS. ORS initiated legal proceedings to recover damages resulting from the delayed construction of the facility. ORS is seeking remaining damages of \$2,900 plus interest from A/S Cimbria. To date, ORS has recovered \$850 from damages over the delayed construction. In addition, A/S Cimbria has issued a final construction invoice of \$1,945 to ORS, which has not been recorded by ORS.

18. Subsequent events:

- (a) On January 30, 2004, Milner Power Limited Partnership ("MPLP") closed an acquisition agreement with the Balancing Pool of Alberta for the purchase of the 144 Megawatt HR Milner power station ("Milner"). The acquisition was concluded effective January 1, 2004 for total cash consideration of \$5,500 with the transaction accounted for using the purchase method of accounting. The Corporation has a 20% interest in MPLP at a cost of \$1.1 million and the Corporation advanced \$0.8 million for working capital purposes.

The operations of Milner will be managed through the general partner of MPLP, Milner Power Inc. and under an operating services agreement, the Corporation will earn annual management fees of \$850 by providing management services to Milner for the life of the asset with standard commercial termination provisions.

As of December 31, 2003, acquisition costs of \$253 for the project have been recorded as "Deferred costs" in the accompanying financial statements.

- (b) On January 16, 2004, the Corporation purchased the remaining 227,541 outstanding preferred shares from its joint venture partner, Caterpillar Power Ventures International, Ltd., for total consideration of \$0.6 million. The Corporation has now accumulated a 51% interest in preferred shares issued by JPH after its joint venture partner originally provided additional funding to JPH beyond their 49% interest.

19. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial presentation adopted for the present year.

board of directors and management

Board of Directors

Alan Moon ^{(2) (3)}

Chairman of the Board
President, Crescent Enterprises Inc.

William Gallacher ^{(1) (2) (3)}

Director
President & Chief Executive Officer
Avenir Capital Corporation

Paul Jarvis ⁽²⁾

Director
President, Power Systems,
Finning International Inc.

Gary Holden ⁽¹⁾

Director
President and COO
Altagas Services Inc.

J. Garry Worth ⁽³⁾

Director
Corporate Consultant

Johann Polz ⁽¹⁾

Director
Director, International Business Development
Soffimat

John R. Bobenic

President and Chief Executive Officer
Maxim Power Corp.

Officers

John R. Bobenic

President and Chief Executive Officer

Vick Dusik

Vice President, Finance & Chief Financial Officer

Ian Sanchez

Vice President, Corporate Development

Richard Hopp

Senior Vice President, Business Development

Pat A. Lucas

Vice President, Operations

Harald Himmler

General Manager, Maxim Power (Austria) GmbH

(1) Member of the Audit & Risk Management Committee

(2) Member of the Corporate Governance Committee

*(3) Member of the Compensation and Environment,
Health & Safety Committee*

corporate governance practices

MAXIM strongly believes that sound corporate governance is essential for the effective operation of the Corporation. The Toronto Stock Exchange ("TSX") recently issued proposed guidelines for effective corporate governance. The following provides a brief discussion of the Corporation's compliance with each of the 14 guidelines:

1. The board of directors should explicitly assume responsibility for stewardship of the Corporation, and specifically for adoption of a strategic planning process, identification of principal risk of the corporation's business, succession planning and monitoring senior management, communications policy and integrity of the corporation's internal control and management information systems.

The Board of Directors participates in an annual strategic planning session. Principal business risks are discussed at that session, are addressed formally by the Audit and Risk Management Committee ("Audit Committee") and are disclosed in the annual report. The Compensation and Environment, Health & Safety Committee of the Board ("Compensation Committee") annually review succession planning and senior management performance assessments. Formal communications are reviewed by the Board. The Audit Committee regularly reviews with management the integrity of internal controls and management information systems.

2. The board of directors should be constituted with a majority of individuals qualify as unrelated directors.

The Board consists of seven members, six of who are unrelated and one of who is an officer of the Corporation.

3. The board will be required to disclose on an annual basis whether it has a majority of unrelated directors, and how that conclusion was reached.

This matter is reviewed and confirmed annually at a Board meeting. The Corporation's legal counsel is consulted to provide direction on this matter

4. Appointment of a committee composed of exclusively unrelated directors with the responsibility of appointing new nominees and for assessing directors.

The Corporate Governance Committee is composed entirely of unrelated member This Committee evaluates and proposes new nominees for election to the Board.

5. Implement a process for assessing the effectiveness of the board of directors, its committees and the contribution of individual directors.

The Corporate Governance Committee has the responsibility to review and evaluate the effectiveness of the Board, committees and its individual members. This evaluation process is being implemented in 2003.

6. Provide orientation and education programs for new directors.

Orientation and education will be provided by the Chairman of the Board.

7. Consider appropriate size of the board of directors, with a view to determining the impact of the number upon effectiveness of decision-making.

The Board is comprised of seven members and this is viewed to be the appropriate number for the nature and complexity of the Corporation.

8. Review the adequacy and form of the compensation of directors in light of risks and responsibilities.

The Compensation Committee has approved the allocation of stock options to Directors for their services on the Board along with the reimbursement of expenses for attendance at Board and committee meetings.

9. Committees should generally be composed of outside directors, a majority of whom are unrelated.

All committees are composed solely of outside directors, all of whom are unrelated.

10. The board of directors should expressly assume responsibility for, or appoint a committee responsible for developing approach to corporate governance issues.

The Corporate Governance Committee is responsible for all corporate governance matters.

11. The board of directors and the CEO should develop position descriptions for the directors and for the CEO and the board of directors should approve or develop the corporate objectives, which the CEO is responsible for meeting.

Position descriptions exist for Board, committee members and the CEO. Corporate objectives are developed as part of the annual strategic planning initiative.

12. Appropriate structures and procedures to enable the board of directors to function independently of management.

The structure of the Board with its three committees, its well defined terms of reference and its unrelated directors enable the Board to operate independently of management.

13. Appoint an audit committee of only outside directors with a specifically defined mandate including oversight responsibility for management reporting on internal control.

The Audit Committee is comprised of three outside directors and is commissioned with a mandate for, among other things, management oversight respecting internal control.

14. Implement a system which enables an individual director to engage an outside advisor, at the Corporation's expense.

The Board has established a formal system that enables an individual director to engage an outside advisor at the Company's expense in the appropriate circumstances.

corporate information

Annual General and Special Meeting:

The Annual Meeting of shareholders will be held at 9:00 a.m. on Thursday, May 13, 2004, at the 5th Floor Conference Room of 715 - 5th Avenue S.W., Calgary, Alberta.

All shareholders and interested parties are invited to attend.

Share trading information:

The Corporation trades on the TSX Venture Exchange under the symbol "MXG "

Offices:

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Website: www.maximpowercorp.com

Registrar and
transfer agent: CIBC Mellon Trust

Auditors: KPMG LLP, Calgary, Canada

